

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JULY 18, 2002

PRESENT: Chairman John Byrne and Commissioners Anthony Maiola and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Peter Engel, Director of Store Operations; Richard Farrenkopf, Assistant Director of Information Technology; George Tsiopras, Chief Accountant; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; Michael Goclowski, Law Warehouse

EXCUSED: Craig Bulkley, Bureau Chief of Administrative Services; Howard Roundy, Director of Information Technology

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending July 14, 2002 indicates retail sales were up about 10.39%, on-premise sales were up around 8.7%, off-premise sales were down almost 3.7%, and total aggregate sales increased by 6.47%.

The W-1 Total Weekly Sales report for this past week confirms total retail sales were up 6.47 or \$416,585 compared with the same week last year, and were also up on a yearly basis by 11.14% or \$1,493,344. Wine sales for the week increased about 10.3% or \$290,553, as they did for the year by almost 19% or \$1,063,752. Sales of spirits were up 6.14% or \$226,345 for the week, and were also up year-to-date by 8.03% or \$633,828. The traffic count was up by 664.

B. Budget Reports:

There was nothing of real significance to mention regarding the current Outstanding Depletions and Post-Offs as of July 16, 2002. (The one outstanding payment showing for May is being taken care of.)

The latest W-6 Expense Budget Activity Variance Report shows estimated expenditures at 4.38%, with actual total agency expenditures at about 3.46%. George said the lapse numbers will appear in this report next week.

Two bids have been received in response to the asbestos removal RFP, at prices of around \$3,800. Nobis Engineer will speak with them, and there should be a recommendation before the Commission next week.

George brought the following items to the attention of the Commission. The majority of the year-end financial reports were send over to Financial Reporting yesterday. Accounting is working on a request to release

relocation funds; no problems are expected with this. Tom Martin is looking to transfer monies out of the accounts of the tobacco fund. However, gross profit figures will have to be estimated at this point as there are none available right now.

Chairman Byrne asked George to prepare some information for him to present at the Senate meeting on revenues.

2. IT Reports

Rick said that Howard has asked him to clarify the fact that when Mapper is down, licensee sales can still be accomplished through use of the DOS system. Also, work is continuing on the point of sale RFP. IT is moving ahead with the timetable of projects which will take personnel through next winter.

Mike Goclowski said there would be potential issues if the 56K line went down at Law due to Verizon problems. He also mentioned that user I.D.s and passwords are being developed for all of the stores. Rick said they are working on a business continuity plan for alternate resources. Chairman Byrne asked why what the Commission has at this location couldn't be duplicated and sent down to Law Warehouse. He asked that Craig be made aware of this.

II. MARKETING & SALES REPORTS

1. Store Operations

This was a good week for store sales, which were up over the same time last year by 9.22% or \$470,744.54.

Peter said there is a way to process licensee orders through the register if there is a point of sale issue. Chairman Byrne asked why the debit machines were covered up recently at the North Hampton store. Peter explained that problems there made it necessary to go into stand-alone mode and process each sale as cash because the swipe couldn't be used. He said he would check on this further. John Bunnell also mentioned that there was a problem recently at Store #40 Walpole due to Verizon difficulties.

The first round of Merchandising Mania judging will begin tomorrow. The beetle will be down in the seacoast area for the weekend.

Regarding renovations and relocations, there are still one or two gondolas to be taken down at Store #42 Meredith. The store should be ready by tomorrow morning. Maintenance will still be there to do some touch-up work, then will go over to the Rochester store the middle of next week. Work at that location should be finished by the middle or third week of August.

2. Warehouse Report

The Commission is waiting for a shipment from White Rock Distilleries, which should bring state stock in the Concord Warehouse back up to normal levels.

3. Purchasing Report

Regarding the latest out-of-stock report, John mentioned that there have been a few issues with Brown-Forman concerning Jack Daniels and Southern Comfort, which will continue to be closely monitored.

4. Merchandising Report

Rick mentioned that Absolut Vodka is on sale for \$22.99, and is being tracked each week as part of the Summer of Savings program. During the first two weeks of the sale, 13,058 bottles were sold compared to 9,095 bottles last year, for an increase of 42%. The gross profit is up a little over \$9,500. This sale will continue right through August.

A. SPIRITS:

1) Fourth of July Sale:

Rick briefly reviewed the results of the Fourth of July Sale, which took place from June 27, 2002 through July 7, 2002. He commented that there were good case sales for several products, but that sales of Canadian Club were down from last year.

Chairman Byrne asked that a report be run showing the code and description of every product in Store #76 Hampton which did not make a sale during the first fourteen days in July.

2) Test Market Products:

a. Test Market Request (3 Burnetts flavored vodkas):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Heaven Hill Distilleries, for a new test market product listing for Burnett's Vanilla Vodka, 1.75L size (assigned four-digit Code #3635), but deny requests for new test market product listings for Burnett's Sour Apple and Coconut flavored vodkas, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Taaka Gin and Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Sazerac Company, Inc. for new test market product listings for Taaka Gin, 1.75L size (assigned four-digit Code #3227) and Taaka Vodka, 1.75L size (assigned four-digit Code #3612), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (3 Market Matusalem rums):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Skyy Spirits for new test market product listings for the following 750ML size products, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Matusalem Gran Reserva (assigned four-digit Code #4391); Matusalem Clasico (assigned four-digit Code #4393); and Matusalem Platino (assigned four-digit Code #4392). The motion was unanimously adopted.

c. Line Extension Request (Dr. McGillicuddy's Schnapps):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Sazerac Company, Inc. for a line extension on Dr. McGillicuddy's Mentholmint Schnapps in the 375ML size (assigned four-digit Code #3636), as this brand in the 750ML glass and plastic and 1.75L size have each earned their respective gross profits required for an additional size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Line Extension Request (Zhenka Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/White Rock Distilleries for a line extension on Zhenka Vodka in the plastic (PET) 750ML size (assigned four-digit Code #3637), as this brand in the 750ML, 1.75L and 375ML sizes have each earned their respective gross profits required for an additional size listing, as recommended by Richard Gerrish, Spirits

Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Test Market Recommendation (Codes #3796, #3520 and #4645):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant specialty status to Code #3796, LaFogata Tequila, 750ML size and Code #3520, Vincent Van Gogh Wild Apple Vodka, 750ML size, both of which failed to achieve their respective gross profits during a six-month test market period, but did exceed the gross profit amounts required for specialty listings, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

It was further moved by Commissioner Maiola, seconded by Commissioner Russell, that Code #4645, Gaetano Vanilla Schnapps, 750ML size, be delisted for failure to achieve both the gross profit required for full distribution and for specialty status, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted. (Chairman Byrne asked Rick to review the list of recently delisted products.)

3) September Special Offers:

a. 1 item – Richard Colbath/Marque One:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Richard Colbath/Spirits Marque One, based upon depletions of one (1) spirit item, to be featured on sale during September 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 1 item – Phoenix Marketing:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Phoenix Marketing, based upon depletions of one (1) spirit item, to be featured on sale during September 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 4 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of four (4) spirit items, to be featured on sale during September 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted. (Chairman Byrne asked that there be a review of how many times these products have been on program during the past year.)

- d. 38 items – Executive Wine & Spirits/Martignetti Companies of NH:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of thirty-eight (38) spirit items, to be featured on sale during September 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted. (Chairman Byrne asked that Code #2873, S.S. Pierce Scotch and Code #3386, S.S. Pierce Gin, be reviewed regarding the 1-1 match by the Commission.)

- e. 66 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of sixty-six (66) spirit items, to be featured on sale during September 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 1 additional item – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an additional special offer (without matching funds) from United Beverages, Inc., based upon depletions of one (1) spirit item, to be featured on sale during September 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g. 42 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of forty-two (42) spirit items,

to be featured on sale during September 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for the Month of September 2002:

a. 1 item – Perfecta Wine Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Perfecta Wine Company, based upon depletions of one (1) wine item, to be featured on sale during September 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 6 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of six (6) wine items, to be featured on sale during September 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 34 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of thirty-four (34) wine items, to be featured on sale during September 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Recommended Wine Specialty Products (8 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve listing of eight (8) wine codes as wine specialty products, to be carried in wine specialty stores only, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell,

Administrator of Marketing & Sales. The motion was unanimously adopted. (Chairman Byrne asked for a list showing which products were not accepted for specialty listing, to be submitted in a timely fashion.)

- 3) Recommended Allocated and Restricted Wines for Distribution to Selected Stores (22 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve twenty-two (22) allocated and restricted wines for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Primary Source Submissions (13 items – exclusive agent; 8 items – imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of thirteen (13) wine codes which are not from primary source, but are offered by the exclusive marketing agent and eight (8) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS - None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all processed requests for bailment releases/transfers dated July 12 through July 18, 2002. The motion was unanimously adopted.

2. Coupon Approvals: None.
3. Late Items: None.

John W. Byrne, Chairman

Anthony C. Maiola, Commissioner

/D. Hartford

Patricia T. Russell, Commissioner

